

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-03 INR-10 IO-13 NEA-11 NSAE-00 ICA-11
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P 212138Z JUN 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC PRIORITY 3652
INFO AMEMBASSY SEOUL PRIORITY

LIMITED OFFICIAL USE SECTION 01 OF 02 PARIS 19842

USOECD

E.O. 11652: N/A
TAGS: EGEN, OECD, KS
SUBJECT: OECD STUDY OF NEWLY INDUSTRIALIZING
COUNTRIES (NIC'S)

REF: SEOUL 5044

1. STUDY REFERRED TO IN REFTEL IS MOST PROBABLY
CE(78)7 OF 3/31/78 (SUMMARY AND PRELIMINARY CONCLUSIONS
OF A SECRETARIAT STUDY ON THE EMERGENCE OF NEWLY
INDUSTRIALIZING COUNTRIES) OR LONGER VERSION CIRCULATED
INFORMALLY LATER AS DES/NI(78)6, "THE IMPACT OF NEWLY
INDUSTRIALIZING COUNTRIES ON THE PATTERN OF WORLD
TRADE AND PRODUCTION IN MANUFACTURES." FORMER WAS
DISCUSSED AT EXECUTIVE COMMITTEE IN SPECIAL SESSION
APRIL 14. COPIES OF THESE ARE AVAILABLE IN WASHINGTON,
EUR/RPE, BUT ARE, OF COURSE, NOT FOR DISTRIBUTION TO
NON-MEMBER GOVERNMENTS.

2. OECD STUDIES IN NO WAY CONCLUDE THAT MEASURES ARE
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NEEDED TO LIMIT DISRUPTIVE EXPORTS FROM NIC'S. RATHER
THEY POINT OUT THAT OECD IMPORTS FROM NIC'S REMAIN
SMALL IN RELATION TO OVERALL LEVELS OF OECD TRADE AND
ECONOMIC ACTIVITY AND THAT EXPORTS OF MANUFACTURES
FROM DEVELOPED COUNTRIES HAVE BEEN INCREASING FASTER
THAN IMPORTS. STUDIES CONCLUDE THAT, BEYOND
PROBLEM OF ACHIEVING MORE SATISFACTORY ECONOMIC

RECOVERY AND REDUCING BOP DISEQUILIBRIA, KEY POLICY
ISSUE FOR DC'S IS ENCOURAGING STRUCTURAL CHANGE AT A
SOCIALY ACCEPTABLE RATE, INCLUDING ACCEPTANCE OF
GRADUAL RESTRUCTURING OF INDUSTRIES WHERE LDC'S HAVE
CLEAR COMPARATIVE ADVANTAGE. FOR NIC'S, STUDY SUGGESTS
THESE SHOULD MOVE TOWARD MORE DOMESTICALLY ORIENTED
GROWTH, FOR EXAMPLE BY REDUCING TRADE BARRIERS AND
PHASING OUT SUBSIDIES, ALLOWING APPRECIATION OF EXCHANGE
RATES, AND REDUCING INEQUALITY OF INCOME DISTRIBUTION.
MISSION'S SUMMARY OF CE(78)7, CABLED TO DEPT IN
PARIS 10933, MIGHT USEFULLY BE REPEATED TO SEOUL.

3. DEPT MAY WISH TO SUGGEST THAT SEOUL REFER ROK
OFFICIALS TO FOLLOWING PASSAGE FROM COMMUNIQUE OF
JUNE 14-15 OECD MINISTERIAL MEETING WHICH ADDRESSED
THIS QUESTION:

QUOTE:

INTERDEPENDENCE, TRADE AND ADJUSTMENT

MINISTERS DISCUSSED RECENT CHANGES IN THE PATTERN
OF WORLD PRODUCTION AND TRADE, WITH PARTICULAR REFERENCE

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TO THE INDUSTRIAL ADVANCES MADE BY SOME DEVELOPING

COUNTRIES. WHILE, ESPECIALLY UNDER CONDITIONS OF SLOWER GROWTH, THESE ADVANCES HAVE BEEN A FACTOR IN ADJUSTMENT PROBLEMS IN A LIMITED NUMBER OF INDUSTRIAL SECTORS, MINISTERS AGREED THAT TRADE WITH DEVELOPING COUNTRIES HAS BROUGHT POSITIVE BENEFITS TO BOTH PARTIES, AND THAT THERE IS A MUTUAL INTEREST IN CONTINUED EXPANSION OF SUCH TRADE. MINISTERS REITERATED THEIR COMMITMENT TO AN OPEN MULTILATERAL TRADING SYSTEM ON A WORLD-WIDE BASIS AND RE-AFFIRMED THEIR READINESS TO ADJUST TO CHANGES IN THE PATTERN OF WORLD PRODUCTION AND TRADE. RENEWAL OF THE TRADE PLEDGE, A SUCCESSFUL OUTCOME TO THE MULTILATERAL TRADE NEGOTIATIONS AND ENDORSEMENT OF THE NEED FOR MORE POSITIVE ADJUSTMENT POLICIES WILL CONTRIBUTE TO THIS END.

AT THE SAME TIME MINISTERS NOTED THE ADVANTAGES WHICH WOULD FOLLOW TO THE WORLD ECONOMY IN GENERAL, INCLUDING TO OTHER DEVELOPING COUNTRIES, IF DEVELOPING COUNTRIES WITH STRONGER ECONOMIES WOULD LIMITED OFFICIAL USE

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PROGRESSIVELY ADAPT THEIR TRADE AND OTHER POLICIES IN LINE WITH THEIR LEVEL OF DEVELOPMENT AND OVERALL FINANCIAL STRENGTH. END QUOTE
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